



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

FOR IMMEDIATE RELEASE: July 28, 2006

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CITY ATTORNEY'S INTERNAL INVESTIGATION EXPOSES WIDESPREAD IMPROPER BILLING PRACTICES

San Diego, CA: An internal investigation into the billing practices by the City Attorney's Office exposes the improper and widespread practice of Service Level Agreement billings for legal work that was never performed for the San Diego Water and Wastewater Departments. The investigation confirms however, that upon assuming office in December 2004, City Attorney Michael Aguirre put a stop to this practice and referred the matter to the City's outside auditor, KPMG, for review. Former employees also corroborated Aguirre's directive to halt the practice, which is cited in the *Interim Report #10 Related to Improper Billing Practices for Service Level Agreements with the City of San Diego Water and Wastewater Departments* which was released today.

"The bottom line is we now have completed an initial investigation that clearly explains how the practice originated and was perpetuated," said Aguirre. "This is another instance where 'business as usual' doesn't cut it."

The internal investigation was conducted by Principal Investigator Dan Andrews at the direction of City Attorney Michael Aguirre regarding billing for legal work done on behalf of the City's Water and Wastewater Enterprise Funds.

The investigation alleges that the complex billing required by Service Level Agreements was incompatible with the City Auditor's job order billing method required by all City departments which does not record the actual number of hours worked, but only allows eight hours per day to be labeled on a time card.

In order to bill more hours, the City Attorney's Office initiated a practice of charging the City Department "clients" an average total, and spreading the actual hours throughout department personnel's time cards. Time cards were completed in pencil, subject to change by supervisors and financial personnel, with hours relegated to the "clients" regardless of work hours performed for those clients, after the time cards had been signed by the submitting personnel. The investigation alleges that this practice led to abuses, so that the actual hours worked ultimately bore no relation to the hours reported on time cards.

City Departments that need ongoing or expedited legal services entered into an Memorandum of Understanding (MOU) or Service Level Agreement (SLA) with the City Attorney and agreed to create
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annual budget items that would fund attorney, staff and overhead expenses within the City Attorney's Office. The City Attorney's office would then capture some of the costs associated with these attorneys and staff members in time card billings to the Departments.

Interim Report #10 includes a summary of the investigation into this practice, as well as the investigative interviews conducted with present and former City Attorney's Office personnel.

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